

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-02 /043 W

----- 104205

R 201211Z MAY 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 4449

INFO AMEMBASSY TAIPEI

AMEMBASSY MANILA

AMEMBASSY SEOUL

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E.O. 11652: N/A

TAGS: ETRD, TH, RP

SUBJECT: COTTON CONTRACT MISSION

1. RESULTS OF COTTON MISSION VISIT WEEK OF MAY 12 LARGELY UNREWARDING. TEAM WAS ABLE TO PERSUADE SEVERAL MILLS WITH SMALL DELINQUENCIES TO OPEN L/C'S BUT THE BULK OF THE OUTSTANDING CONTRACTS REMAIN UNHONORED. MISSION GAINED AN APPRECIATION OF THE UNWILLINGNESS OF THE RTG TO BECOME INVOLVED AND THE INABILITY OF THE THAI TEXTILE MANUFACTURING ASSOCIATION TO ASSIST.

2. ROBERT WEIL OF WEIL BROTHERS, THE COTTON SHIPPER WITH THE LARGEST EXPOSURE IN DELINQUENT CONTRACTS, DELAYED HIS DEPARTURE FOR SEVERAL DAYS TO DETERMINE IF HE AND VICTOR FRIEDMAN, COUNSEL FOR AMERICAN COTTON EXPORTERS ASSOCIATION, COULD WORK OUT AN ARRANGEMENT WITH THE FOUR OR FIVE LARGEST MILLS IN DEFAULT. HIS EFFORTS TO PERSUADE THESE MILLS WERE COMPLETELY UNSUCCESSFUL. ALTHOUGH WEIL CONTINUES TO BELIEVE, AND THE EMBASSY CONCURS IN THIS JUDGMENT, THAT CCC CREDITS COULD OFFER A SOLUTION, THE RECALCITRANT MILLS REFUSE TO CONSIDER AVAILING THEMSELVES OF THESE

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CREDITS, CONFIRMING ONCE AGAIN THAT CREDIT IS NOT THE

PROBLEM. THE HIGH PRICE MAKES THE MILLS BALK DESPITE THE FACT THAT THEY RECOGNIZE THE CONTRACTS ARE VALID.

3. WEIL HAS DECIDED TO GO THE LEGAL ROUTE AND HAS ENGAGED THE LOCAL AMERICAN ATTORNEY DAVID LYMAN. HE BELIEVES ALL OTHER US SHIPPERS HOLDING CONTRACTS IN DEFAULT WILL PARTICIPATE IN A JOINT LEGAL ACTION. WEIL AND FRIEDMAN ARE UNHAPPY BECAUSE THEY RECOGNIZE LEGAL ACTION WILL BE BOTH EXPENSIVE AND PROTRACTED, BUT THEY SEE NO ALTERNATIVE.

4. PRIOR HIS DEPARTURE MAY 18, WEIL INDICATED THERE WOULD PROBABLY BE ONE LAST STRATEGY MEETING IN WASHINGTON AFTER THE MISSION RETURNS TO DETERMINE IF ANY FURTHER EXTRA-LEGAL AVENUE SHOULD BE EXPLORED. HE BELIEVES CONTINUED BLACKLISTING OF DELINQUENTS AND INSISTENCE THAT ALL L/C'S FOR FUTURE COTTON SALES TO THAILAND SHOULD BE ON SIGHT BASIS MIGHT INDUCE SOME OF THE MILLS TO OPEN L/C'S. HOWEVER, LEGAL ACTION APPEARS TO OFFER THE ONLY COMPREHENSIVE FINAL SOLUTION.

WHITEHOUSE

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Margaret P. Grafeld
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